Monday, 15 September 2025

Productivity Commission
4 National Circuit
BARTON ACT 2600
AUSTRALIA

Via online portal

Dear Commissioners,

Five pillars of productivity inquiries

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to make a submission on the following interim reports of the Productivity Commission's (the PC) five pillars of productivity inquiries:

- Creating a more dynamic and resilient economy
- Investing in cheaper, cleaner energy and the net zero transformation
- Harnessing data and digital technology
- Building a skilled and adaptable workforce.

We make this submission on behalf of our members and in the public interest. We highlight the following key comments on specific recommendations.

Creating a more dynamic and resilient economy

1.1 Pivot the corporate tax system to a more efficient mix of taxes	CA ANZ supports a move to a more efficient mix of taxes. However, transitioning to a CFT would be complex and costly. The focus should be on modernising the existing framework to better support today's economy.
1.2 Lower the headline company tax rate to 20%	In principle, CA ANZ supports a lowering of the corporate tax rate to 20% for all corporates. This is, however, difficult to achieve given the significance of corporate tax to the budget.
1.3 Introduce a net cashflow tax of 5%	CA ANZ has concerns about this proposal. The costs and benefits need more consideration.
2.1 Set a clear agenda for regulatory reform	Whilst CA ANZ supports the intent of the recommendation, a statement of principles itself does not drive change. We recommend such a commitment be a requirement in the *Public Governance, Performance and Accountability Act 2013* (Cth).
2.2 Bolster high-level scrutiny of regulations	CA ANZ supports an explicit requirement for bodies that scrutinise proposed regulation to assess each proposal against its impact on growth and dynamism. However, we do not support appointing an independent statutory commissioner to oversee the Office of Impact Analysis.

2.3 Enhance regulatory practice to deliver growth, competition and innovation	CA ANZ considers this draft recommendation too broad and does not support holding all public servants accountable for matters outside of their control such as delivering growth, competition and innovation through regulatory systems.

Investing in cheaper, cleaner energy and the net zero transformation

1.2 The Safeguard Mechanism should cover more industrial facilities and carbon leakage provisions should be improved	CA ANZ supports the draft recommendation to lower the Safeguard Mechanism threshold from 100,000 to 25,000 tonnes, however, there should be a phased introduction for new facilities.
1.3 Introduce an emissions-reduction incentive for heavy vehicles and phase-out policy overlaps for light vehicles	CA ANZ supports the removal of the exemption of electric vehicles from Fringe Benefits Tax and providing alternative assistance.

Harnessing data and digital technology

1.2 AI-specific regulation should be a last resort	CA ANZ broadly supports this recommendation but is concerned the rapidly changing AI landscape requires an agile, technology neutral, regulatory environment which may disrupt a stable regulatory environment.
4.1 Make digital financial reporting the default	CA ANZ strongly supports the call for government action to make digital reporting the default. Disclosing entities should be required to lodge their annual and half-year financial reports in digital form.

Building a skilled and adaptable workforce

1.2 Lead national efforts to ensure equitable access to education technology and AI	The Australian Government should provide national leadership on edtech and AI in schools, addressing key risks and challenges to scale efforts and deliver meaningful, sustainable impact.
2.1 Move toward a national system of credit transfer and recognition of prior learning	CA ANZ supports this recommendation in principle including flexible recognition of prior learning, work-related training, and qualification equivalency assessment in accounting, audit, tax and financial planning.
2.2 Better target incentives to lift work-related training rates in small and medium enterprises	Rather than trial a new financial incentive, the government should evaluate the impact of the 120% small business boost for skills and training that operated from 29 March 2022 to 30 June 2024.
3.1 Remove excessive occupational entry regulations that offer limited benefits (the case of reforming financial	CA ANZ supports removing excessive occupational entry regulations that offer limited benefits. We advocate for allowing qualified accountants to provide strategic financial advice to

adviser qualification requirements)	address the shortage of professional financial advisers available to meet demand from around 11.8 million Australians.
3.2 Expand entry pathways and streamline qualification requirements for occupations (the case of Registered Company Auditors)	CA ANZ supports revisiting legislative settings for auditors of lower-risk entities. For lower-risk audits of non-Corporations Act entities, we recommend the appropriate qualification is membership of a recognised professional accounting organisation with a Certificate of Public Practice, enabling professional oversight and quality assurance. Government should also accelerate amending state and federal legislation to support this.

Our detailed comments on the individual interim reports are in the following Appendices:

- A - Creating a more dynamic and resilient economy,
- B - Investing in cheaper, cleaner energy and the net zero transformation,
- C - Harnessing data and digital technology, and
- D - Building a skilled and adaptable workforce.

Further information about CA ANZ is in Appendix E.

If you have any questions or would like to discuss our views, please contact [redacted] on [redacted]

Your sincerely,

[redacted]

Damian Ogden
Group Executive Advocacy, Public and Government Affairs

Appendix A.1

Creating a more dynamic and resilient economy

1. Corporate tax reform to spur business investment

Draft recommendations

1.1 Pivot the corporate tax system to a more efficient mix of taxes

While the cashflow tax (CFT) may appear attractive in theory, its practical implications could significantly disrupt investment, financing, and regulatory stability across the corporate landscape. Whether a CFT will generate imputation credits or foreign tax credits may have a significant impact on business investment decisions.

Transitioning to a CFT would be complex and costly. Without mechanisms to deduct existing investments, businesses could face double taxation. Yet allowing such deductions could significantly reduce future government revenue.

The CFT presents challenges because it taxes economic rents - not normal returns - so most companies would pay little or no tax.

Despite intentions to simplify regulation, the proposed reforms risk doing the opposite. Introducing parallel tax systems, phased rollouts, and multiple thresholds could increase compliance costs and confusion.

Business leaders already cite regulatory complexity as a barrier to investment. Rather than layering on new systems, the focus should be on modernising the existing framework to better support today's economy.

1.2 Lower the headline company tax rate to 20%

In principle, CA ANZ supports a lowering of the corporate tax rate to 20% for all corporates. This may be difficult to achieve given the significance of corporate tax to the budget.

1.3 Introduce a net cashflow tax of 5%

When modelling a switch from an income tax to a CFT greater consideration needs to be given to how businesses are generally financed, and key tax settings that affect business owners. For example,

- The biggest potential beneficiaries of a move to CFT are non-resident shareholders, who generally invest in large public entities. Yet it is large public entities which will bear the highest tax burden under this proposal and may be further discouraged from investing in Australia with their tax rate potentially increasing from 30% to 35% - which is substantially higher than the OECD average of 21%.
- Superannuation funds which also substantially invest in large public entities and small and medium business owners may also be disadvantaged by a move to CFT, given that the CFT is not expected to generate franking credits.
- Companies that have traditionally used debt to expand their business, such as increased staffing or increased trading stock, may be disincentivised from undertaking such expansion as interest is not deductible under a CFT.

The economic modelling underpinning this report should consider the impact of the CFT not providing franking credits on the providers of funds for business investment.

The final modelling should also outline and model how financing companies and passive companies (which constitute 30% of companies) will be treated under a CFT.

Complex and costly transitional mechanisms are required for a substantial period

The transition to a CFT can be complex and costly for existing businesses as they will be taxed on business income and sale of asset income but won't have a deduction for existing investment, unless a mechanism is introduced to allow them to claim a deduction for existing investments. However, providing such a deduction for existing investments could have a substantial impact on future government revenues.

Regulatory burdens need to be reconsidered

While the Interim Report aims to ease the regulatory pressure on businesses to encourage investment, the proposed reforms may do the opposite. Introducing at least two parallel corporate tax systems, each with its own tax base, a phased implementation approach and a variety of thresholds risks creating greater complexity and compliance costs for businesses.

Many business leaders already raise concerns about the layers of regulation, bureaucracy, and uncertainty that make investing difficult. Instead of adding another layer of complexity in the form of a CFT, the priority should be improving and modernising the current system, so it better supports today's business needs. There's plenty of opportunity to make meaningful improvements that would encourage investment without introducing new complications.

Information requests

1.1 The PC is interested in views on further information about the interaction between the proposed cashflow tax (i.e. the net cashflow tax) and Australia's dividend imputation system.

The modelling for the final report about CFT needs to consider the impact on investors as well as the company itself. Most Australian business owners rely heavily on the dividend imputation system and foreign tax credit systems. The absence of these features under a CFT is likely to substantially influence business decisions.

Modelling also needs to consider the treatment of 30% of companies which are passive and finance companies both of which may be subject to as yet to be specified rules.

Transitional rules regarding the cost base of existing assets may also have a significant impact on the timing of any CFT benefits and should be incorporated in the final modelling. Appendix A.2 provides further details.

1.2 The PC is interested in views on the most appropriate way to tax financial services in a manner that is consistent with the proposed changes and induces additional capital expenditure in a similar manner to the net cashflow tax.

No response.

1.3 The PC is interested in views on whether a phased or package approach to the proposed changes is preferable, and the lead time government and companies would need.

No response.

2. Regulating to promote business dynamism

Draft recommendations

2.1 Set a clear agenda for regulatory reform

CA ANZ supports the intent of the recommendation, though a statement of principles, in and of itself, does not drive change. We recommend such a commitment be a requirement in the *Public Governance, Performance and Accountability Act 2013* (Cth). Such a commitment would strengthen the existing obligation to 'work cooperatively with others to achieve common objectives' and together require Commonwealth agencies to work together to minimise the regulatory burden to support economic dynamism.

We recommend the proposed strategies on page 41 of the interim report are made mandatory to hold regulators and policy makers accountable. Further, in addition to reporting on progress against commitments for reform, regulators should justify the compliance cost and if it will, or has, added to or reduced the regulatory burden for the intended regulated parties.

Such a statement should also include a commitment to appropriate regulatory digital infrastructure. Often proposed streamlining of regulatory processes are put in the 'too hard' basket by Commonwealth agencies as a result of digital infrastructure being out of date or unable interact with other systems. In providing digital solutions, the Government should be looking at best practices from a private and government perspective globally, not just at best practice by other Australian government entities.

There also needs to be co-ordination between policy and digital implementation teams to ensure that complexity is not 'baked into' digital solutions but rather opportunities are taken, where appropriate, to align definitions and reporting. Ideally, this should also include a 'tell us once' approach to reporting to most government departments. We also recommend that the Modernising Business Register program is revisited as it would provide opportunities to reduce duplication, streamline processes and reporting and reduce risks such as phoenixing.

2.2 Bolster high-level scrutiny of regulations

CA ANZ supports an explicit requirement for bodies that scrutinise proposed regulation to assess each proposal against its impact on growth and dynamism.

We do not support appointing an independent statutory commissioner to oversee the Office of Impact Analysis. This appears to add an unnecessary layer as the interim report concludes that the system works, it is just not well used. Instead, we suggest an assessment of the standard of impact analyses be incorporated into the current responsibilities of scrutineers.

We also support an assessment of how a proposed regulation would impact the cumulative regulatory burden on the intended regulated parties and that it should be undertaken by the proposer. This could be achieved with minor changes to the questions to be answered in a Regulation Impact Statement. For example, the addition of two questions:

a) What are the existing statutory obligations for parties impacted by this proposal?

b) How does this proposal increase or reduce the cumulative regulatory burden for those impacted by this proposal?

When the proposer must establish the existing regulatory burden before submitting an impact analysis, they will gain a deeper understanding of the cumulative regulatory burden. In time, this will raise awareness across the whole of government of the impact of cumulative regulatory burden that inhibits growth and dynamism.

Finally, we suggest that assumptions in the Regulation Impact Statement should be evidenced based and with relevant sources referenced.

The Government plays an important role in the management of legislation and announcements. Other actions the Government could undertake to help reduce regulatory burden include:

- Reducing the number of announced but unenacted measures. These create uncertainty which may discourage investment, for example the corporate tax residency changes which were announced on 6 October 2020 but still have not been enacted.
- Ensuring legislation is enacted in time to allow for appropriate implementation. Currently there are a number of measures with a 1 July 2026 start date which have either not received royal assent or even been released for public consultation as an exposure draft legislation, such as Tax Practitioners Board (TPB) sanctions and $1,000 standard work-related tax deductions. Citizens and businesses need time to understand and implement legislation, they cannot do this by press release alone.
- Considering the timing of start dates for changes on particular segments of the community. For example, tax agents will need to deal with a variety of tax changes such as pay day super, anti-money laundering/counter-terrorism financing (AML/CTF) obligations and new sanctions all from 1 July 2026.

2.3 Enhance regulatory practice to deliver growth, competition and innovation

CA ANZ considers this draft recommendation too broad and does not support holding all public servants accountable for matters outside of their control such as delivering growth, competition and innovation through regulatory systems. Many public servants provide well informed analysis and make recommendations for regulations; they do not make the policy decisions. The recommendation should be narrowed to holding only decision makers, senior public servants who finalise how regulation is implemented, accountable.

Legislation often needs supplementary material to help citizens and businesses comply with the intended requirements, especially when it comes to taxation. There has been a practice whereby the Australian Taxation Office (ATO) produce law companion guidelines at the time the legislation receives royal assent. These guidelines help taxpayers by reducing uncertainty about how the ATO would apply the legislation. There has been a decline in the use of both law companion guidelines and public rulings, which mean that taxpayers are often left in an uncertain position. Revamping the use of these products, which can be relied upon in court, rather than website guidance should be encouraged.

Information requests

2.1 The taxonomy proposed above represents regulatory failures that have been raised regularly with the PC during consultation. We have heard of a number of broad examples that align with these categories – for example, duplicate and inconsistent regulations emerge when regulators are unable to adopt standards from comparable regulators from other states, or from overseas. We would like to hear specific examples of regulations that you think align with the categories above, and that could easily be fixed by government.

Further clarity is required on what is deemed as 'easily fixed by government'. The report voices the view that the process for regulatory change is not the issue, rather that the various actors are not using the system well. Conversely, in our experience, change is often delayed as it would take too long to go through the approval process, or that government infrastructure would not be able to adapt to the change if passed or that the legacy technology of one department is incapable of 'talking to' another department's, more advanced, technology.

These issues must be addressed prior to seeking changes to regulations themselves.

i. A key element of duplication is the need for individuals associated with businesses to repeatedly identify themselves to different government bodies. Digital ID has gone some way to streamlining such requirements for individuals to access certain government services. However, digital ID does not extend to individuals accessing government registers and services on behalf of their business. For example, you require the same information to register your business with the Australian Securities and Investments Commission (ASIC), to enrol as a reporting entity with AUSTRAC and to secure an interest in your goods on the Personal Property Security Register held by Australian Financial Security Authority.

   Similarly, even with the enormous quantum of resources, public and private, that were directed to establishing the director identification number (director ID), it remains unusable. Director IDs are not public, so cannot be verified, and are not linked to a director's associated companies. Instead of streamlining regulatory requirements, such as verifying an individual's relationship to a company, the director ID has become another regulatory burden.

   Removal of barriers for Commonwealth agencies to share details behind a unique identifier, such as a director ID, and incorporating into legislation and government's systems the ability for parties to rely on digital IDs, would significantly reduce the regulatory burden.

ii. The whole of the *Fringe Benefits Tax Assessment Act 1986* has been described as overly prescriptive and rigid regulation that leaves little room for adaptation. Calls for reform of these provisions are long standing.

iii. An example of duplicate or inconsistent regulation is Australia's current suite of tax transparency measures—including the Board of Taxation's Voluntary Tax Transparency Code, the Consolidated Entity Disclosure Statement (CEDS), and Public Country by Country (CbC) Reporting regime, which has created a fragmented and duplicative compliance landscape for large businesses. While transparency is a vital policy objective, the layering of overlapping frameworks risks undermining efficiency, increasing compliance costs, and reducing the clarity of disclosures for stakeholders. Harmonising Australia's tax transparency regime with global initiatives (e.g. Pillar Two regime) would reduce regulatory friction, enhance certainty for multinational enterprises, and ensure that Australia remains a competitive and trusted jurisdiction for cross-border investment.

As an initial step towards harmonising Australia's tax transparency regime, the entities included in the public CbC reporting regime (section 3D of the *Taxation Administration Act 1953* (TAA)) should be excluded from the ATO corporate tax transparency disclosures (section 3C of the TAA) to reduce the red tape burden. Given the quality of the information provided under the public CbC reporting regime, the purpose for publishing the ATO corporate tax transparency data in respect of those entities is redundant and the differences in numbers provided only causes confusion for users.

2.2 Which quantitative economywide measures of the quality of regulation and the regulatory burden should the Australian Government track? How should it set targets for these?

No comment

2.3 In which sectors or regulatory systems is immediate regulatory review most warranted, and why?

A key regulatory system needing immediate review is the regulation of legal entities under the *Corporations Act 2001*. To address misuse of Australia's financial system, regulators, external administrators and service providers must be able to establish, with certainty, the individuals behind a legal entity and the connections between entities.

This requires collaboration between ASIC, the issuer of a legal entity's unique identifier, Australian Business Registry Services, the holder of the director ID's, and the ATO, the database of an entity's current status of taxation obligations.

Being able to see through the structure of legal entities to the beneficial owners, the ultimate owner and relationships between legal entities is key to detecting misuse of the financial system. When corporations seek to exit the market, ensuring debts to the Commonwealth are satisfied can mitigate harm for all parties engaged with that corporation.

The tax system and tax agent regulation needs simplification and modernisation. Small and medium businesses are struggling with the complexity of various integrity provisions impacting discretionary trusts including Division 7A, section 99B, section 100A, family trusts and family trust distribution taxes. Large businesses are dealing with burdensome overlapping transparency legislation that needs to interact with global initiatives as noted under information request 2.1 above.

2.4 How should regulators and policymakers balance risk with growth objectives? What guidance should governments give? What are the constraints which impede regulators and policymakers from better balancing risk and growth objectives? What guidance can governments give to help?

To balance risk with growth, regulators must consider risks beyond their particular area of regulation to ensure mitigating risk, say in industry competition, does not inhibit growth in another sector.

A key constraint to regulators and policymakers balancing risk and growth is the inability to share data between regulators to be able to understand risks. As identified in the Australian Competition and Consumer Commission letter to the Finance Minister on regulatory reform opportunities '*There are policy and legislative barriers that restrict our ability to use data we collect multiple times for regulatory compliance purposes, and there are barriers prohibiting the sharing or collection of data*.' Yet the sharing of data between regulators would enhance the identification of risks and how best to mitigate these risks while supporting growth across the economy.

Similarly, Services Australia’s response to the Finance Minister comments, ‘*A key challenge for the Agency is administering legislation that is complex and often inconsistent, hindering a digitally-enabled service environment, information sharing and automated decision making*.’

Removing these barriers would require a change to legislation and an IT uplift to enable data sharing and realise the efficiencies of reusing data both within each regulator and across government.

As the government IT infrastructure is uplifted to improve sharing of data and making interacting with government easier, government must look at the range of systems available and not simply compare IT systems across government departments. As many government departments tell us their systems are outdated, only looking at systems within government will likely result in suboptimal outcomes that increase regulatory burden on both administrators and citizens.

Please note that our comments above on data sharing do not extend to protected information that is held by the ATO. This information is afforded a high degree of confidentiality to protect the integrity of the tax system.

2.5 What levers does the Government have, beyond statements of expectation and guidance from central agencies, to help promulgate and embed a culture of regulatory stewardship within the APS?

No comment

Appendix A.2

Detailed comments on Cash Flow Taxes

Historical experience

Historical experiences with Cash Flow Taxes (CFT) indicate that benefits may be hard to realise and it can be difficult to reconcile the efficiency and revenue sustainability objectives.

- Australia has implemented CFTs in the form of Petroleum Resource Rent Tax (PRRT) and the former Minerals Resources Rent Tax (MRRT). PRRT has been subject to several reviews and is still subject to calls for review due to the lack of revenue that it generates.
- Mexico implemented a CFT in 2008 and repealed it in 2014 due to fraudulent behaviours and low revenue generation.
- A New Zealand Treasury paper found that there was no consensus that transitioning to a CFT would have a significantly positive impact on the growth rate and that any positive impact would not be permanent.[1]
- A Reserve Bank of Australia report which analysed the impact of small businesses having access to the instant asset write off over a significant number of years, which effectively mimics a CFT, noted that they were of limited benefit in increasing investment.

Potential impact of CFT on business investment

A CFT's impact on business investment could be:

- Non-existent for unincorporated small businesses as they are not companies.
- Non-existent or negative for debt funded business investment as interest becomes non-deductible for debt funded companies under a CFT.
- Negligible or negative for incorporated small and medium entities carrying on a business. The transition to a CFT would mean that these generally domestic owners are likely to pay more tax due to the CFT not generating imputation credits.
- Uncertain for finance companies.
  The Interim Report notes that due to the exclusion of interest income/expenses from CFT that another regime would need to be introduced for finance companies but does not provide any details as to how that would be implemented. Passive companies, includign finance companies represent 30% of the corporate population.Passive companies, including finance companies represent 30% of the corporate population.
- Negative for large multinationals.
  Theoretically, a CFT replacing a corporate tax should assist large multinationals with non-resident shareholders wanting to invest in Australia as they would receive more unfranked dividends that are subject to a withholding tax rate that is substantially less than the corporate tax rate. However, under the current proposals this will not occur as the total tax rate remains the same or more and there is uncertainty about whether CFT will result in foreign tax credits.

[1] Page 7 https://www.treasury.govt.nz/sites/default/files/2018-01/twp99-01.pdf

Key tax issues

Key tax issues that are require consideration in the modelling include:

- **Franking credits** – Whether payments of the proposed 5% CFT create credits in a company's franking account is a fundamental question. If CFT does not produce franking credits, then the cost of investing in Australia will increase for small and medium business owners and superannuation funds.

  Using the transactions and accounts presented in tables 1.1 and 1.2 of the interim report, Table 1 at the end of this Appendix compares how the current tax system (25% corporate tax rate) and the proposed combined corporate tax at 20% and a 5% CFT system will apply to a small company which purchases a $200 capital item in year 1 which is depreciated (prime cost) over 4 years. The comparison shows that over the four years; the small company pays $10 more tax and has $100 less in its franking account under the proposed changes than under the existing regime. The reduction in the franking account will increase tax paid by the shareholders by $100 when a dividend is paid.

  This substantial increase in taxation for this base rate entity arises due to:

  - The CFT not creating credits in the franking account.
  - Interest expenses being not deductible for the purposes of calculating the CFT. This is a permanent difference.

- **Foreign tax credits** - Foreign investors will not only consider the tax rates in Australia when they are investing in but also consider how Australian tax is treated in their home company. Most will expect Australian tax to be 'creditable' in their home country.

  Australia has more than 40 double tax agreements which recognise Australian corporate tax to be creditable income tax. This prevents double taxation and encourages investment. It is likely that all 40 tax treaties would need to be renegotiated to ensure that the 5% CFT is not subject to double taxation. This could take a substantial period of time thereby delaying any investment benefit flowing from the CFT. If foreign tax credits are not available, then the cost of investing in Australia will be increased.

  In addition, the OECD has been implementing a Base Erosion and Profit Shifting (BEPS) initiative called Pillar 2, which includes a global and local minimum tax of 15%. Australia has signed up to these rules and has enacted legislation to implement them. Under these rules, multinational enterprise group will be required to pay 'top up' tax if the minimum tax rate of 15% is not meet. The CFT would need to be designed in a way to ensure it can be included in these minimum tax calculations and prevent double taxation, noting that unintended outcomes can arise under the rules with secondary tax regimes.

- **Instant asset write off** - It is unclear whether the instant asset write off that has been rolled over for over a decade will be made permanent or removed. Small businesses, especially unincorporated small businesses, have come to rely on this mechanism for business-as-usual business acquisitions.

- **How the loss uplift factor is calculated** - How the parameters of the proposed CFT are set can have a significant impact on the results. Experience suggests that determining the correct settings is problematic. The Callaghan review noted that "modelling undertaken by the [PRRT] review highlights the significant impact uplift rates can have on PRRT revenue in large, long-life projects."[2]

This review also stated "it is challenging in practice to design and implement legislation that will clearly capture the economic rent associated with a project without consequent budgetary risks. Economic rent will vary across projects, but the legislation applies across the industry."[3]

Transitioning to CFT

Transitioning to a CFT is problematic for companies that have:

- Substantial existing investments. Under a CFT such companies will be assessed on income and the sale of the asset but will not have a deductible cost base. Providing a market-based value for existing assets for CFT calculations is costly from a compliance perspective for companies and costly from a revenue perspective for government. Applying CFT to only new investments means that there will be a need for duplicate provisions for a substantial period, adding to compliance costs.
- Purchased substantial depreciable assets in earlier years. In this case, the 5% CFT would be more than the 5% company tax as under the CFT deductions cannot be claimed for depreciation or interest.
- Little capital but have substantial financing costs, as interest is not deductible for CFT.

CFT is not simple

In 2008, Mexico introduced a very similar hybrid CFT /company income tax system to the proposal in the Interim Report. to the Mexican government stated this would *"simplify compliance and administration"*, but the CFT was repealed six years later as it *"did not decrease the cost of compliance or the cost of administration; to the contrary, it increased such costs."*[4]

A 2009 ANAO report about PRRT, a type of CFT, noted that "many industry representatives considered that after 20 years of operation the current level of uncertainty in applying the PRRT was unacceptable."

The Interim Report states that net cashflow tax should be administratively simple, given that depreciation schedules are not needed, and companies do not need to separate out the parts of their labour costs that went into capital formation. Yet these income tax requirements reflect the accounting requirements for financial statements, and many smaller companies align their tax and accounting treatments to reduce compliance costs. A CFT would increase the differences between accounting and tax calculations.

A CFT may also create confusion as:

- cash flow tax is different to a cash flow statement contained in financial accounts.
- Instead of two categories of corporate taxpayer (small business and other) there could be four (small, large, passive and financial).

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[2] Page 11 https://treasury.gov.au/sites/default/files/2019-03/R2016-001_PRRT_final_report.pdf
[3] Page 6 https://treasury.gov.au/sites/default/files/2019-03/R2016-001_PRRT_final_report.pdf
[4] https://taxation-customs.ec.europa.eu/system/files/2016-09/taxation_paper_55.pdf

Encourage investment by removing complexity and provide stability

Given the additional regulatory burden, complexity and pitfall of the proposal in the Interim Report, simpler methods to encourage business investment should be considered.

Stability and understanding of the tax system is important for investment. Where companies are unclear about the operation of new taxing provisions (for example the debt deduction creation rules) or are unsure about the administration of those laws that are awaiting the implementation of announced tax changes (for example the recent Bendel case where the Commissioner's position of 15 years ago was overturned, but 8 years ago the government announced it would clarify the position through legislation) or the corporate residency rules (the Board of Tax report which endorsed changes to clarify the position has not been legislative) investment can be stifled. Practical measures to overcome these problems should be considered. See more in Appendix A.1 of the CA ANZ submission about the regulation.

Table 1: Comparing current and proposed tax systems for a base rate entity over 4 years using example in Table 1.1 of the Interim Report

	Year 1		Year 2		Year 3		Year 4	
Current (Co tax 25%)	**Co tax**		**Co tax**		**Co tax**		**Co tax**	
Sales	1000.00		1000.00		1000.00		1000.00	
Labour	-100.00		-100.00		-100.00		-100.00	
Other	-300.00		-300.00		-300.00		-300.00	
Depreciation	-50.00		-50.00		-50.00		-50.00	
Interest	-50.00		-50.00		-50.00		-50.00	
Taxable income	**500.00**		**500.00**		**500.00**		**500.00**	
Co Tax	**125.00**		**125.00**		**125.00**		**125.00**	
Franking account balance	**125.00**		**250.00**		**375.00**		**500.00**	
Proposed (Co tax 20% + 5% CFT)	**Co tax**	**CF tax**	**Co tax**	**CF tax**	**Co tax**	**CF tax**	**Co tax**	**CF tax**
Sales	1000.00		1000.00		1000.00		1000.00	
Labour	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00
Other	-300.00	-300.00	-300.00	-300.00	-300.00	-300.00	-300.00	-300.00
Depreciation	-50.00		-50.00		-50.00		-50.00	
Interest	-50.00		-50.00		-50.00		-50.00	
Capital		-200.00						
Taxable income / CFT base	**500.00**	**400.00**	**500.00**	**600.00**	**500.00**	**600.00**	**500.00**	**600.00**
Co Tax / CF Tax	**100.00**	**20.00**	**100.00**	**30.00**	**100.00**	**30.00**	**100.00**	**30.00**
Total tax	**120.00**		**130.00**		**130.00**		**130.00**	
Franking account balance	**100.00**		**200.00**		**300.00**		**400.00**	

	Total Tax Paid Over 4 years	Franking Balance Closing
Current (Co tax 25%)	**500.00**	**500.00**
Proposed (Co tax 20% + 5% CFT)	**510.00**	**400.00**

Assumptions: Income and expenses from Table 1.1 of the Interim report, the company is a base rate entity (company tax rate reducing from 25% to 20%), there is no credits allowed in the company's franking account for payments of the cash flow tax, and there is a $200 capital item which is depreciated (prime cost) over 4 years.

Appendix B

Investing in cheaper, cleaner energy and the net zero transformation

1. Reducing the cost of meeting emissions targets

Draft recommendations

1.1 Reducing emissions in the electricity sector after 2030

No comment

1.2 The Safeguard Mechanism should cover more industrial facilities and carbon leakage provisions should be improved

CA ANZ supports the draft recommendation to lower the Safeguard Mechanism threshold from 100,000 to 25,000 tonnes, however, there should be a phased introduction for new facilities.

Government will also need to support new facilities (as a direct result of the reduction of the threshold) to understand their obligations under the Safeguard Mechanism such as capacity building for smaller facilities unfamiliar with greenhouse gas emissions accounting and offset mechanisms like the Australian Carbon Credit Unit Scheme (ACCUs).

We also recognise the importance of the Safeguard Mechanism as an integral component of the *Powering Australia* policy, which includes Australia's current commitment to reduce emissions of 43% by 2030 and net zero by 2050.

Australia will soon provide details of its next Nationally Determined Contribution (NDC) and it is important that the Safeguard Mechanism has sufficient coverage to support this enhanced commitment. We consider that the review of the Safeguard Mechanism (review) should also specifically consider appropriate mechanisms to support Australia's revised NDC.

In 2023, we also expressed our support for the use of a declining baseline rate, to drive both the ambition of carbon abatement and to support ongoing adjustments from reporting entities to their respective business operations as they transition to a lower carbon state.

The review, scheduled for 2026-27, should also consider other changes that can be made to improve and streamline reporting for business, including the connectivity between mandatory climate-related disclosures and reporting obligations under the National Greenhouse and Energy Reporting (NGER) scheme, including current challenging areas such as differing reporting periods.

1.3 Introduce an emissions-reduction incentive for heavy vehicles and phase-out policy overlaps for light vehicles

CA ANZ supports the removal of the exemption of electric vehicles from the Fringe Benefits Tax and providing alternative assistance.

1.4 Apply frameworks to achieve emissions targets at least cost and improve transparency

CA ANZ supports recommendation 1.4, particularly in relation to the development of national carbon values to meet Australia's emissions targets. Governments (across national, states and territory) will need to consider a broad range of policies and their impact on emission reduction targets and pricing. Focus should not only apply to policies focused on emission reduction but also include those policies that increase emissions and the costing of these policies. This will provide a holistic picture of the cost of emissions and the costs associated with the efforts to reduce them.

The inclusion of emissions-reduction policies, which are consistent and include estimates within impact analyses will be important to provide transparency relating to the expected costs and funding needed to support these policies. We understand that the proposal is to achieve net zero by 2050 at '*as low a cost possible*'. We caution this cost driven approach to net zero as we foresee that this focus will negatively impact broader and interconnected considerations such as biodiversity and ensuring a just transition.

We support the broader design and evolution of policy settings to align, where applicable, to carbon values.

Further, certainty from the Government through national carbon values (estimates of implied carbon prices) may support and encourage an increased commitment of private investment from investors and business to assist in meeting Australia's emissions targets.

Please note, we have not provided responses to remaining recommendations and information requests in this Interim Paper.

Appendix C

Harnessing data and digital technology

1. Artificial Intelligence

Draft recommendations

1.1 Productivity growth from AI will be built on existing legal foundations. Gap analyses of current rules need to be expanded and completed.

CA ANZ supports the approach of undertaking a gap analysis, though the process for doing so must be streamlined. A year, or more, of consultation resulting in another year to publish and only then to be followed by action will make the initial analysis outdated.

It will also be critical that when a gap is found in one regulatory framework, it is shared across all government regulators. A gap may be unique to a particular framework or represent an AI-specific issue and is best addressed by AI-specific regulation. To avoid duplication in legislation and for industry, clearly define AI-specific issues from sector specific issues.

A current example is how regulations refer to the requirements under the *Privacy Act 1988* (Cth), which is intended to be the overarching regulation framework for privacy. The Consumer Data Right (CDR) regime, rather than referring to the Privacy Act, added additional layers around privacy in its regulatory framework as well as referring to the Privacy Act. This significantly increased complexity as it is unclear which framework to refer to for privacy obligations. We are pleased to read in the Australian Competition and Consumer Commission's letter to the Finance Minister on Regulatory Reform Opportunities, that they will '*Partner with OAIC and the Data Standards Board to simplify and unify CDR guidance*'.

1.2 AI-specific regulation should be a last resort

CA ANZ broadly supports the recommendation to only consider AI-specific regulations as a last resort. Our concern is the rapidly changing AI landscape, which requires an agile, technology neutral, regulatory environment and which may disrupt a stable regulatory environment.

A clear gap in current regulatory frameworks is accountability. Regulations may provide a level of responsibility but do not hold any party accountable along the development or supply chain of AI tools and products for how the algorithms function or the content and training of the large language models. Where harm is caused from an individual taking action directedly based on information generated by AI, there is no accountability in current regulatory frameworks back to the owner of a tool, the large language model or the foundation model.

This should also include accountability for an AI developer's environmental impact. Growth in the use of AI is inevitable, and governments have a role to hold developers and designers accountable for their impact on the global environment. For example, regulation to require developers of foundation models, large language models and generative AI tools to publish their source of energy and their greenhouse gas emissions. In Australia, the Government's Energy Rating body can then apply an energy rating to AI tools, enabling an informed choice by consumers on which tool to utilise.

1.3 Pause steps to implement mandatory guardrails for high-risk AI

CA ANZ supports a pause to implement mandatory guardrails for high-risk AI if the gap analysis process is streamlined to match the rate of change in AI technology. As outlined in our feedback on recommendation 1.1 and 1.2, gap analysis is the preferred process to identify issues that may require AI specific regulation, which would include guardrails for high-risk AI.

Information requests

1.1 The PC is seeking feedback on the issue of copyrighted materials being used to train AI models.

No comment

2. Data access

Draft recommendations

2.1 Establish lower-cost and more flexible regulatory pathways to expand basic data access for individuals and businesses

The key risk in introducing lower-cost and more flexible regulatory pathways is, by default, an increase in regulation which may lead to confusion for the regulated parties. In addition, consideration needs to be given as to how such Commonwealth based codes or standards would interact with State, Territory and local government regulatory frameworks. For example, the use case of giving tenants on-demand access to rental ledgers when Australian rental laws are primarily State and Territory based.

We do not see how stand-alone pathways could be implemented. An alternative may be to amend existing regulatory frameworks to include alternate pathways for distinct use cases and distinct sub-sets of regulated parties, such as small business.

Information requests

2.1 The PC is seeking feedback on how to introduce lower-cost and more flexible data access pathways for a broad range of use cases. In line with the draft recommendation we are also seeking feedback on the sectors and use cases where the new pathways could most valuably enhance data access in the short term. We note that the banking and energy sectors are already covered by the Consumer Data Right.

The initial challenge, as the report recognises, is that data access is rarely front of mind for consumers. CA ANZ suggests that how the consumer wants to use their data and who the consumer wishes to have access to their data should drive the decision on which sector new pathways should be considered first and the design of those pathways.

Low cost to access data via such a pathway is a key factor in the design of alternate pathways. A major barrier to participation in the CDR is the cost of accreditation. The outcome being that only well-resourced entities can afford to participate. For example, holders of financial data that cannot afford to be accredited cannot share, or receive, a consumer’s data.

As we raised in our many submissions on the CDR, mandating only the large players in a sector (on the basis that only large players can afford accreditation) provides a significant competitive advantage to those players, rather than increasing the benefits for consumers or promoting competition across the

Australian economy – the intent of the regime. In our view, new pathways should not be determined by the depth of resources available to a potential data holder.

2.2 The PC is seeking feedback on how the new data access pathways could be expanded over time in a methodical and predictable way, while enabling innovation. We are also interested in views around how the Australian Government can best support this process.

No comment

3. Privacy Regulation

Draft recommendations

3.1 An alternative compliance pathway for privacy

Pathways focussed on outcomes would provide regulated entities with flexibility, though will introduce a degree of uncertainty as to whether their actions meet the regulator's expectations. To provide an alternative compliance pathway will require clear guidance on when and who can elect to use that pathway and how the regulator will measure if the outcomes have been achieved.

The following feedback reflects comments from our members that will soon become reporting entities under the anti-money laundering and counter-terrorism financing (AML/CTF) regulatory framework, which is outcomes focussed. The reforms to Australia's AML/CTF regime moved the regime from prescriptive regulations to risk-based regulations targeted at outcomes. That is, reporting entities need to implement an effective AML/CTF program relative to the risk, nature and size of their business. Effectiveness relating to achieving the outcomes of the AML/CTF regime to deter, detect and disrupt criminal activity.

Our members, who are already highly regulated through the services they offer, have found this disconcerting. Their primary concern is how do they know if their understanding of an effective AML/CTF program will meet that of an external evaluator of their AML/CTF program. AUSTRAC are addressing these concerns though guidance which outlines their expectations of an AML/CTF program and how they will measure outcomes.

3.2 Do not implement a right to erasure

CA ANZ appreciates the right to erasure is a compliance burden where it has to be actioned on a case-by-case basis. Yet there should be an obligation on regulated entities to erase data that they no longer rely on to provide goods or services to those whose data they hold. This may be a scheduled sequence of erasing rather than on an individual request.

For example, under the CDR you have the right to request an accredited data recipient (ADR) to delete your data. The ADR may do so by deletion or de-identification as soon as practicable. ADR's can only hold your data for as long your consent to do so exists. Some records must be kept for 6 years post your consent, then removed.

With the number of cyber attacks increasing and data being misused, we see the right to erasure in some form as a significant privacy benefit for individuals. While such a right will not stop ransomware attacks, it may lessen the number of people put at risk. Recent ransomware attacks in Australia resulted in the theft of data belonging to both existing and former customers. Requiring holders of data to delete data no longer relied on would reduce the number of people put at risk of identity fraud.

Information requests

3.1 The PC is seeking feedback on implementation issues, including how an alternative compliance pathway should be embedded in the Privacy Act 1988 (Cth).

No comment

4. Digital financial reporting

Draft recommendations

4.1 Make digital financial reporting the default

CA ANZ welcomes the PC's recognition that digital reporting is essential for a modern economy, and we strongly support the call for government action to make digital reporting the default.

Information requests

4.1 The PC is seeking feedback on the implementation of mandatory digital financial reporting.

Disclosing entities should be required to lodge their annual and half-year financial reports in digital form.

CA ANZ agrees with the PC's recommendation for the Australian Government to make the necessary adjustments to the *Corporations Act 2001* (Cth) to make digital financial reporting mandatory for disclosing entities. A disclosing entity is defined under section 111AC of the *Corporations Act 2001* (Cth) and can include a registered managed investment scheme. There are currently approximately 2,200 disclosing entities in Australia.

To support manageable implementation and avoid overburdening preparers and regulators, a phased introduction of mandatory digital reporting requirements should be considered. There are several approaches that could be taken in phasing and the European Union provides a recent key reference point (see *ESMA Final Report on the RTS on the European Single Electronic Format* 2017, page 3).

At our roundtable, Accelerating Reporting with Technology for a More Productive Australia (August 2025 Roundtable), held on 5 August in Sydney with over 75 senior leaders from finance, governance, sustainability, and policy, we explored the future of corporate digital reporting and the urgency of mandating digital financial reporting in Australia. A large proportion of attendees, 89%, supported mandatory digital financial reporting for listed companies and similar disclosing entities, with the majority supporting a three to five-year phased approach. In addition, 67% of attendees believed that Australia could realistically adopt digital reporting for disclosing entities by 2028, while 31% anticipated a timeline closer to 2030.

Other reports that could be submitted digitally

At our August 2025 roundtable, stakeholders emphasised the value of extending digital reporting beyond financial statements to encompass climate and sustainability disclosures. Jurisdictions such as India have already implemented this approach, and entities in the European Union will soon be required to submit sustainability disclosures in digital formats. There is clear evidence that digitising sustainability disclosures within structured datasets delivers substantial benefits, including enhanced analytical capabilities and more robust insights across economies and ESG domains.

However, it is critical that Australia prioritises the implementation of digital financial reporting as the immediate step. This position is consistent with Treasury's Climate-related financial disclosure Consultation in 2023 which notes: "Based on stakeholder feedback from the discovery consultation, the implementation of digital reporting for climate disclosure will not be pursued ahead of any plans to make digital reporting for existing financial reporting mandatory". Australia has fallen behind other major economies in this area, and the need for reform is most acute in financial reporting. Notably, the adoption of sustainability and climate reporting is still emerging within Australia, whereas financial reporting is already well established, making digital transformation in this area more feasible and urgently required.

To facilitate the eventual expansion to digital sustainability reporting, it is recommended that legislative frameworks be drafted with sufficient flexibility to allow for future integration. This would enable the phased introduction of digital sustainability disclosures when appropriate, without necessitating further legislative amendment. Such an approach will ensure that Australia can effectively respond to evolving international standards and maximise the benefits of digital reporting reforms.

Actions to enable high-quality reporting and the production of high-quality data

CA ANZ agrees with the PC that digital financial reporting has the potential to increase the efficiency, transparency and accuracy with which the data in financial reports is prepared, extracted and analysed. To fully harness these benefits, Australia's digital taxonomies should remain aligned with the International Financial Reporting Standards (IFRS) Accounting Taxonomy and IFRS Sustainability Disclosure Taxonomy for global comparability and consistency. The IFRS AU Taxonomy, maintained by ASIC as part of the Standard Business Reporting (SBR) Taxonomy, is based on IFRS with additional Australia-specific tags.

Speakers at our August 2025 roundtable agreed that an integrated approach across government, regulators, and industry is essential to ensure high-quality financial reporting and data. Maintaining and updating the IFRS AU Taxonomy must be an ongoing priority, supported by feedback loops from regulators, auditors, reporting entities and users to enhance tagging accuracy and data quality. Maintaining alignment with international IFRS taxonomies is essential to avoid fragmented data and ensure accessibility for global investors. Built-in validation checks and limits on extensions are necessary to preserve consistency across reports. For disclosing entities, integrating disclosure management systems into existing workflows can streamline reporting and strengthen their internal controls. Assurance also plays a critical role in integrity. Although notably not required in the United States, in other jurisdictions digital financial statements are within the scope of annual financial audits.

Format of digital financial reports

A consistent, globally recognised format supports interoperability and investor access. We concur with the PC's points on the key advantages of iXBRL format relative to XBRL. Several jurisdictions where digital financial reporting is mandatory, including the United States, United Kingdom, Japan and South Africa, require reports to be submitted iXBRL format. iXBRL format provides the advantage of both human and machine-readable information which is a more direct transition from current reporting practices in Australia than machine only formats.

A single, dual-readable format improves efficiency for preparers and preserves usability for investors, while avoiding the fragmentation and reduced comparability that comes with allowing multiple formats or machine-only options. This was expressed well by John Turner, Chief Executive Officer of XBRL

International, Inc. at our August 2025 roundtable, “you can have a single version of the truth that management is accountable for.”

Submission and availability of digital financial reports

Digital financial reports should be submitted through a centralised portal that enables free, public access to the data. We believe ASIC is the most appropriate agency to manage this portal, given its current role in collecting, storing and distributing financial and corporate data, in addition to the independence and neutrality this approach provides.

We agree with the PC’s recommendation that the website holding the reports should have Application Programming Interfaces (APIs) that allow the reports to be viewed and downloaded by the public. To realise the full value of digital reporting, the data must be freely accessible to a full range of investors and other potential users in Australia and internationally. ASIC is responsible for making information about companies and other bodies available to the public, and as highlighted by speakers at our August 2025 roundtable, their role is critical in a successful mandate of digital financial reporting for disclosing entities in Australia.

Actions to ease the reporting burden for preparers

The Australian Government has a clear opportunity to modernise and streamline financial reporting by adopting digital reporting standards akin to the U.S. Securities and Exchange Commission's (SEC) Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system and the European single electronic reporting format (ESEF) framework. A centralised reporting portal serving multiple regulators, as has been standard practice in other jurisdictions for many years, would significantly reduce duplicative government reporting requirements, improving efficiency across agencies and reducing the reporting burden for preparers. There is a clear demand from preparers for streamlined reporting. Recently, the Association of Superannuation Funds of Australia (ASFA) called for a “tell us once” reporting system enabling submission of information once, rather than repeating similar data across multiple regulators. A centralised portal capturing reporting from business could meet the requirements of multiple regulators and enable preparers to improve productivity with targeted allocation of their resources.

Important aspects to aid implementation, from the government and which CA ANZ would be well placed to provide and support, include guidance, training programs, and practical assistance to ensure accurate data and consistent processes. The facilitation of feedback and engagement amongst users, preparers and auditors of digital reporting has also been shown to aid implementation in other jurisdictions. International evidence consistently shows that a phased approach best supports business readiness, and this strategy was endorsed by the majority at our August 2025 roundtable.

Appendix D

Building a skilled and adaptable workforce

1. The best resources to improve school student outcomes

Draft recommendations

1.1 Invest in a single national platform for all teachers to access lesson planning materials

No comment.

1.2 Lead national efforts to ensure equitable access to educational technology (edtech) and artificial intelligence (AI)

The Australian Government should provide national leadership on edtech and AI in schools to ensure equitable access to the best available tools for all teachers, addressing key risks and challenges to scale efforts and deliver meaningful, sustainable impact. CA ANZ recognises the potential of edtech and AI tools to enhance teaching, learning, and student outcomes, including overcoming entrenched education disadvantage, when implemented thoughtfully and inclusively.

National education bodies should:

- Codesign the framework with government, educators school leaders, and sector representatives
- Conduct a stocktake of edtech and AI tools being used in Australia and internationally
- Assess selected edtech and AI tools and recommend edtech and AI tools for national use
- Coordinate acquisition of AI tools for national use with equitable cost-sharing arrangements
- Align roll-out with evidence-based practices and guidelines for safe and responsible use
- Continue to develop and refine guidelines for teachers and school leaders to guide adoption and use
- Review selected tools regularly to reflect the rapid pace of change in edtech and AI
- Embed the principles of inclusion, access, usability, affordability and adaptability across diverse school environments
- Provide sustained investment in professional learning and implementation support
- Continue to fund trials of new edtech and commit to national roll-out of successes.

Several risks and challenges should be addressed to deliver meaningful and sustainable impact:

- **Rapid pace of change**: Centralised procurement or endorsement processes risk becoming outdated or misaligned with emerging innovations and classroom needs. A flexible, iterative approach is essential to remain responsive to technological advancements and pedagogical shifts.
- **Complexity and fragmentation**: Teachers and school leaders may face challenges in navigating the growing array of tools, platforms, and guidelines. Clear, accessible communication and support is needed to avoid the burden of evaluation and adoption falling disproportionately on educators, particularly in under-resourced or remote settings.

- **Digital inclusion:** Equitable access requires affordable tools, access to quality internet and devices, culturally and linguistically appropriate content and guidance, digital skills, literacy, professional development, and wrap-around support to ensure teachers are aware of the available tools and can confidently and effectively integrate edtech and AI into their practices.
- **Financial and operational burdens**: Coordinated national efforts must consider the cost implications for schools and systems. Shared procurement models may offer efficiencies but should balance local autonomy and the ability to tailor tools to specific educational contexts.
- **Scaling challenges**: Fostering partnerships between governments, tech companies, and educational institutions may help scale affordable edtech and AI uptake in schools.

CA ANZ welcomes further consultation on developing equitable and inclusive frameworks, tools and resources to support Australia's teachers, improve student outcomes and boost national productivity.

2. Building skills and qualifications for a more productive workforce

Draft recommendations

2.1 Move toward a national system of credit transfer and recognition of prior learning (RPL)

As a professional accrediting body and TEQSA registered provider of higher education, CA ANZ supports recognising diverse learning pathways in principle. Streamlining, simplifying, and speeding up the recognition of skills, qualifications and prior learning is critical to building a more productive workforce, particularly for qualified migrants and workers moving between occupations or states.

CA ANZ supports flexible recognition of prior learning, work-related training, and qualification equivalency assessment in accounting, audit, tax and financial planning, as outlined in our submission to Treasury on the Economic Reform Roundtable.

Our submissions to the Department of Education on the Australian Universities Accord and to the Productivity Commission's 5 pillars of productivity consultation in June highlighted the importance of taking a skills first policy approach, and enabling lifelong learning through rapid skill acquisition and RPL including modular, stackable qualifications.

Funding models should support both public and private providers to deliver high-quality, industry-aligned education. This approach will help address national skill shortages, encourage workforce participation and support human capability development.

Recognising applicants' professional work experience and prior learning provides an opportunity to consider the value that may be contributed from skills and knowledge obtained outside of formal qualifications, including experience gained from working in other industries or overseas.

The challenge of recognising work experience and prior learning lies primarily in verification – proving a claim of work experience or prior learning is true, accurate and justified. Ensuring objectivity, integrity and consistency in how work experience and prior learning is measured and recognised is also important.

RPL for trade occupations is often considered straightforward, as it typically involves assessing practical skills that can be directly observed or demonstrated. In contrast, applying RPL to professional occupations, such as those in accounting, requires a more nuanced approach.

These roles demand a combination of technical knowledge and transferable capabilities, including communication, leadership, and critical thinking, which may be acquired through diverse experiences and are not always easily quantifiable. Evaluations may include academic achievements, professional development courses, and work-based achievements, as well as considering the individual's ability to apply theoretical knowledge in practical contexts. Ensuring fairness and consistency in these evaluations is crucial to maintaining the credibility of the RPL process for professional occupations.

As a migration skills assessing authority for accounting, CA ANZ undertakes accounting skills assessments aligned with industry and membership requirements. We actively engaged with the Department of Employment and Workplace Relations to develop the Guiding Principles and Standards for Skilled Migration Assessing Authorities and made several submissions.

While we accept exemptions or credit granted by accredited education providers for skilled migration assessment, including those based on overseas qualifications, qualifications must be minimally comparable to an Australian Bachelor degree. If a qualification does not fully meet the required competency areas, applicants may demonstrate their knowledge by completing our alternative pathways into the CA Program. Our exams are recognised for migration skills assessment purposes and may help address gaps in academic coverage.

Information Requests

2.1 The impacts and use of credit transfer and RPL

CA ANZ recognises that navigating credit transfer and RPL can be particularly challenging for individuals from equity groups. These challenges often stem from limited awareness of available credit and RPL pathways, lack of affordability and access, complexity of systems and processes, and fragmented communication across providers. The latter can make it hard for individuals to understand their entitlements, gather appropriate evidence, and navigate application requirements confidently. Mature-aged workers and individuals with non-traditional learning experiences may struggle to articulate or evidence their competencies in formats expected by formal systems.

CA ANZ supports efforts to improve transparency and consistency in credit and RPL processes, including development of a national system of credit transfer and RPL. However, any national approach must be designed with flexibility and inclusivity at its core, ensuring that communication strategies, system design, and support mechanisms actively reduce barriers for equity groups rather than reinforce them.

Urgent skills recognition reforms are required to unlock the skills of qualified, overseas trained professionals face in Australia, with one in three professions facing critical workforce shortages.

Improving digital inclusion is critical to building skills and qualifications for a more productive workforce. Key aspects to consider include affordability (quality internet and devices), access (to the internet, devices and appropriate online content including for people with disability or from a culturally or linguistically diverse background) and ability (skills, literacy, knowledge and confidence to participate in a digital world). CA ANZ supports the National approach to digital inclusion proposed by the Australian Digital Inclusion Alliance.

2.2 Establishing a national credit database

CA ANZ commends the ambition to establish a national credit database. Key challenges, feasibility issues, risks, and potential next steps for consideration are outlined in our responses to the PC's Information Requests 2.1 and 2.3.

2.3 Recognition of Prior Learning (RPL) assessments

In line with the principles of smart regulation aimed at reducing regulatory burden and enhancing productivity, CA ANZ's RPL framework is fully aligned with the Australian Qualifications Framework and supported by a governance, risk, and compliance assurance model that enables a proportionate, risk-based approach. This model balances robust oversight with practical implementation efficiency, while our credit arrangement policies, procedures, and systems reflect the expectations of quality higher education providers as outlined in the Higher Education Standards (HES) Framework. These arrangements are underpinned by transparent and consistent practices that promote fairness, academic integrity, and regulatory compliance.

In accordance with the HES Framework's requirements for quality assurance and transparency, CA ANZ maintains a publicly accessible, formalised credit arrangements register. This register documents precedent decisions for confirmed awarded course credit, supporting consistency in decision-making and providing a reliable reference for future assessments.

CA ANZ applies a rigorous and structured approach to RPL assessments. Costs incurred are primarily associated with academic staff time for reviewing applications, verifying evidence, and ensuring alignment with curriculum standards. Staff involvement includes academic officers, assessment specialists, and governance oversight through the Education Board. These processes are designed to ensure consistency, transparency, and defensibility of outcomes.

CA ANZ commends the Dual Sector Regulatory Strategy endorsed in July 2025 between ASQA and TEQSA, as part of the Government's tertiary harmonisation agenda to facilitate better information and collaboration in key areas, optimise the alignment of evidence requirements for similar assessments, and support dual sector providers to mature their corporate and academic governance.

Coordinated RPL assessment process spanning across multiple education providers

CA ANZ supports greater coordination in RPL assessment across education providers, particularly where it enhances consistency and candidate mobility. However, implementing a shared framework presents significant challenges.

The pace of curriculum evolution driven by regulatory updates, industry expectations, and pedagogical innovation makes it difficult to maintain alignment in learning outcomes and assessment standards. A coordinated RPL system would require continuous recalibration to reflect these changes, placing considerable administrative and academic burden on participating institutions.

In addition to operational complexity, the financial burden on providers would be substantial. Establishing and maintaining shared systems, training staff, and ensuring quality assurance across institutions would require sustained investment. Without dedicated funding across all TEQSA and ASQA registered providers and sector-wide infrastructure, such a model risks compromising the integrity and responsiveness of RPL processes.

While the concept of a coordinated RPL system has merit, its feasibility depends on careful design, robust governance, and adequate resourcing. CA ANZ recommends further consultation and piloting to assess the viability of such an approach in practice.

Draft recommendations

2.2 Better target incentives to lift work-related training rates in small and medium enterprises (SMEs)

Rather than trial a new financial incentive, the Government should evaluate the impact of the 120% small business boost for skills and training that operated from 29 March 2022 to 30 June 2024. Treasury has an Australian Centre for Evaluation which is designed to support such analysis.

SME advisory services could include services provided by accountants or professional bodies, such as CA ANZ, and support work-related training for SMEs and smaller practices in key areas including:

- Cash flow coaching/ cash flow management skills
- AI, data, technology and cyber security skills including targeted guidance on ethical and safety considerations for AI adoption focused on smaller entities.

Information Requests

2.4 Financial incentives for training in small and medium enterprises (SMEs)

Businesses need certainty and time to take up government initiatives. This requires legislation to be in place before the program commences and for the program guidelines to be easily understood. In addition, fulfilling the requirements of the Government initiative needs to be simple to ensure that the costs of applying for the assistance are less than the benefits of obtaining it.

The 120% skills and training boost for small businesses was carefully designed to ensure that only appropriate training providers were captured. The requirements used in that program should be replicated.

The Australian Taxation Office has named *small business boost measures* as one of its focus areas for small business compliance activity due to the number of errors and omissions it is finding.

2.5 SME advisory services for training provision

Australian SME advisory or consultation services should address the following persistent capability gaps as priorities:

- Cash flow management skills
- Data, technology, AI and cyber security skills
- Guidance on ethical and safety considerations for AI adoption.

2.6 Supporting access to work-related training for individuals

CA ANZ supports modernising and better coordinating Australia's education and training systems, including government support for individuals to access work-related training. This is important given the national decline in work-related training over almost two decades.

Key policies to encourage individual participation in work-related training include:

- **Improving coordination and alignment between industry needs and training institutions to ensure relevant skill development**

  CA ANZ advocated for harmonising tertiary education in our submissions to the Department of Education on the Universities Accord Interim Report, our submission to the Department of Education on implementation of the new Australian Tertiary Education Commission, and our submission to Treasury on the Economic Reform Roundtable.

- **Providing better career guidance and resources for students on work-related training, skill development and career options aligned to industry needs**

  CA ANZ's submission to the PC on the 5 productivity pillars consultation outlines on page 4 what we are CA ANZ is doing in this area and what actions we would like to see the Government take such as expanding support for accounting education in high schools, including recognition of accounting as a STEM subject, and developing a robust national senior secondary accounting curriculum.

- **Providing entitlements that learners can draw upon over their lifetimes to fund their work-related training, continuous learning, upskilling, reskilling, and credentials**

  This policy could provide Australians with an entitlement for work-related training, skills, and knowledge development enabled by a fixed envelope of grants that can be accessed at times of learners' choosing throughout their post-school lives.

  The funding amount could vary depending on learner characteristics, with extra funding provided for under-represented learners, including Indigenous Australians, people from low socio-economic backgrounds and those located in regional and remote areas. In addition to lifelong learning, this reform proposal would provide learners with agency and choice over when and where they learn.

  CA ANZ's views are outlined further on page 11 of our submission to the Department of Education on the Australian Universities Accord Interim Report and on pages 23 to 25 of our submission to the Department of Education on the Universities Accord Discussion Paper.

- **Supporting work-related training, work readiness programs and pre-employment services for international accounting graduates and migrant accountants to make best use of their skills and improve their employment and migration outcomes**

  Australia's Migration Strategy found more than 50% of graduate visa holders with a bachelor's degree or higher are working significantly below their skill level, despite studying in areas in shortage. This issue is particularly evident in the accounting profession. Treasury's Employment White Paper shows accountants stand out among the occupations that have a low share of permanent skilled migrants working in their nominated occupations or at a higher skill level.

- **Extending the Australian Government's Apprenticeship and Traineeship schemes to higher education qualifications that build the nation's professional talent pipeline**

  This would create a more holistic, inclusive and responsive education-to-employment pipeline. It recognises that professional pathways, such as accounting, require structured, better funded 'earn and learn' integrated educational experiences. By broadening eligibility to include higher education qualifications, these schemes would enable learners to gain financial support for practical experience and industry-relevant skills while studying, improving work readiness, and accelerating transition into skilled employment. It would also help address persistent skill shortages in key professions, like accounting, by incentivising employers to invest in emerging talent and supporting learners from diverse backgrounds to access professional careers.

3. Fit-for-purpose occupational entry regulations

Draft recommendations

3.1 Remove excessive occupational entry regulations that offer limited benefits

CA ANZ supports removing excessive occupational entry regulations that offer limited benefits. This can be achieved by improving mobility for workers moving between occupations or states. Workers often face regulatory hurdles when moving between states, requiring different permits for the same job, or moving between occupations.

Occupational entry regulations should uphold professional standards while enabling diverse and equitable access to the workforce. Entry requirements should be evidence-based, proportionate to risk, and aligned with international best practice.

CA ANZ encourages a regulatory framework that supports innovation in credentialing and recognises alternative pathways into regulated professions, including accounting. This includes micro-credentials, enabling tertiary qualifications, and vocational education and training pathways that maintain quality while expanding access, particularly for equity groups such as regional and Indigenous learners.

Information Requests

Reforming qualification requirements for financial advisers

CA ANZ welcomes the PC's interim observations about reforming qualification requirements for financial advisers.

Australians should be able to plan their retirement journey without hassle or complication. However, it can be difficult for people to understand how superannuation, taxation, age pension and aged care regulatory settings work together, and how to produce the best possible outcome over the long-term. This complexity has created a void where 11.8 million Australians are seeking advice, but there are not enough financial advisers to meet the demand.

Chartered Accountants are highly trained and skilled professionals who can solve this issue, but the regulatory environment needs urgent reform to allow CA ANZ members in public practice to support their clients with their everyday financial challenges. This can be achieved by amending the *Corporations Regulations 2001* to allow a qualified accountant, who is a member of a major accounting body, to provide strategic financial advice.

We have long advocated for reforming entry pathways for professional advisers qualifications given their widely acknowledged flaws and have actively engaged with government on these important reforms since consultation began in Australia.

More recently, CA ANZ made several submissions to Treasury, including on the Government's proposal to amend the education and training standards for relevant providers, and on the ten years 'experienced adviser pathway' where we recommended extending the timeframe. We also participated in a private submission on financial adviser education standards with the Joint Association Working Group.

CA ANZ actively engaged in consultations on the Quality of Advice Review, and the Government's response to the recommendations of the Review, including reforms to the regulation of financial advice through the Delivering Better Financial Outcome (DBFO) package, making several submissions to Treasury.

We continue to engage closely in the Government's reform of the education standards for professional financial advisers which build on the DBFO package to help address the current shortage of financial advisers and meet the future demand for financial advice.

Draft recommendations

3.2 Expand entry pathways and streamline qualification requirements for occupations (the case of Registered Company Auditors)

CA ANZ acknowledges the challenges and complexity involved in auditor registration. There is a need to balance market protection proportionately in the context of the risk profile of the audited entities.

CA ANZ supports revisiting legislative settings for auditors of lower-risk entities in Australia. The Registered Company Auditor (RCA) designation, designed for Corporations Act entities, has strict entry requirements to ensure high audit quality for these entities given their economic significance. Initially based on hours of auditing Corporations Act entities, a second pathway was introduced in 2004, allowing documentation of audit competencies to ease barriers to entry, particularly for auditors of small to medium entities.

Despite this, RCA registrations have declined over the last two decades. The initial grandfathering of all professional body members created an inflated base. Subsequent retirements have driven a decline that should stabilise and does not, on its own, indicate a pipeline failure. However, analysis is required to determine the RCA population required to avoid failure, and whether current retirements and registration rates are sustainable.

At the same time, legislative demand for RCAs has expanded. A 2015 University of Adelaide study commissioned by CA ANZ revealed significant inconsistencies in audit and assurance requirements across Australian legislation, including mandating RCA qualifications for lower risk non-Corporations Act entities. The research could not quantify all non-Corporations Act entities subject to RCA requirements due to lack of public information. However, the minimum number identified at the time was over 30,000. Concurrently, the number of Corporations Act entities needing RCAs has grown due to regulatory changes and new reporting obligations, straining the RCA workforce.

For lower risk audits of non-Corporations Act entities, CA ANZ recommends the appropriate qualification is membership in a recognised professional accounting organisation with a Certificate of Public Practice, enabling professional oversight and quality assurance. Amending state and federal legislation to support this has been slow over the last decade and needs accelerated progress with government backing.

The alternative proposed on pages 65 and 70 of the PC's Interim Report on *Building a skilled and adaptable workforce* (creating a second tier of government-registered auditors, similar to the approach taken in New Zealand) would be costly, potentially increase regulatory burden for many non-RCAs, and still necessitate legislative reform. Large private companies can opt out of audit requirements in New Zealand, meaning significant structural differences exist in the market for lower risk assurance activities between the two countries, and more than 8,000 private company audits do not fall into this category in Australia. Therefore, we do not believe creating a new tier of government regulated auditors, akin to the New Zealand model, is the most effective or efficient way of tackling the issue in Australia.

Appendix E

CA ANZ represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live. Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

CA ANZ is a professional accrediting body and a TEQSA registered provider of higher education.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 16 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.